

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>County of Crawford, Michigan</i>	County <i>Crawford</i>
Audit Date <i>09-30-04</i>	Opinion Date <i>11-24-04</i>	Date Accountant Report Submitted to State: <i>March 25, 2005</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name) <i>Anderson, Tackman &amp; Co., P.C.</i>			
Street Address <i>11978 S. Riley Avenue</i>	City <i>Kincheloe</i>	State <i>Mi</i>	ZIP <i>49788</i>
Accountant Signature <i>Anderson Tackman &amp; Co P.C.</i>			

**COUNTY OF CRAWFORD, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

September 30, 2004

**COUNTY OF CRAWFORD, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

CHAIR PERSON	LYNETTE CORLEW
COMMISSIONER	SCOTT M. HANSON
COMMISSIONER	HAROLD GOLNICK
COMMISSIONER	SHELLEY L. PINKELMAN
COMMISSIONER	DAVE STEPHENSON
COMMISSIONER	RICK ANDERSON
COMMISSIONER	TERRY BEARDSLEE

**APPOINTED/ELECTED OFFICIALS**

COUNTY ADMINISTRATOR	PAUL COMPO
COUNTY TREASURER	JOSEPH WAKELY
COUNTY CLERK	SANDRA MOORE

## **TABLE OF CONTENTS**

	<u><b>Page</b></u>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	10
Statement of Changes in Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	11
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities .....	12
Proprietary Funds:	
Statement of Net Assets.....	13
Statement of Revenues, Expenses, and Changes in Net Assets .....	14
Statement of Cash Flows .....	15
Fiduciary Funds:	
Statement of Fiduciary Net Assets .....	16
Component Unit Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>19</b>
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Major Funds:	
Budgetary Comparison Schedule – General .....	43
Budgetary Comparison Schedule – Economic Development.....	45
Budgetary Comparison Schedule – County Library .....	46
Budgetary Comparison Schedule – Housing Commission.....	47
Budgetary Comparison Schedule – Commission on Aging .....	48

## **OTHER SUPPLEMENTAL INFORMATION:**

Combining Balance Sheet – Nonmajor Governmental Funds.....	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	53
Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	57
Combining Statement of Revenue, Expenditures and Changes in Net Assets – Nonmajor Enterprise Funds .....	58
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	59
Combining Statement of Net Assets – Internal Service Funds.....	60
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds.....	61
Combining Agency Funds .....	62

## **REPORT ON COMPLIANCE:**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	63
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	65
Schedule of Expenditures of Federal Awards .....	67
Notes to Schedule of Expenditures of Federal Awards .....	69
Schedule of Findings and Questioned Costs .....	70
Summary Schedule of Prior Audit Findings .....	72

## **ADDITIONAL INFORMATION:**

Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 .....	73
--	----



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

---

DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
County of Crawford, Michigan  
Grayling, MI 49738

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Crawford, Michigan as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Crawford County Road Commission which represents 99 percent and 99 percent of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County of Crawford, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Crawford, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The County of Crawford, Michigan has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as of October 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2004, on our consideration of the County of Crawford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis and the budgetary comparison schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Crawford’s, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments and Nonprofit Organizations*, and is not a required part of the basic financial statements of the County of Crawford. Such information, except for that portion marked “unaudited,” on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 24, 2004

## **Management's Discussion and Analysis**

---



**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

**The County as a Whole**

County revenues in general have remained consistent with prior years. The County has not experienced significant growth in the property tax revenue or value. State revenue sharing has been restructured beginning this year and will not be completely changed until 2007. This will establish a Revenue Sharing Fund by phasing in a summer county tax collection over four years. The county established a new fund titled the Primary Residence Exemption fund (P.R.E.) this past year to monitor the authorized use of that exemption. The largest current liability facing the county is the litigation that was initiated from the 46<sup>th</sup> Circuit trial court. Oral arguments have been delivered to the Court of Appeals and we are awaiting a decision. The County is continuing to explore options that will reduce the costs of medical insurance coverage for its employees. Health insurance has been identified as a cost reduction area that will be targeted in all union negotiations.

The County implemented GASB-34 accounting procedures for the period.

In a condensed format, the table below shows the net assets of Crawford County.

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current Assets	\$ 4,525,308	\$ 1,870,127	\$ 6,395,435
Noncurrent Assets	4,261,486	-	4,261,486
Total Assets	8,786,794	1,870,127	10,656,921
Long-Term Debt Outstanding	1,423,414	550,000	1,968,415
Other Liabilities	1,418,415	216,677	1,640,091
Total Liabilities	2,841,829	766,677	3,608,506
Net Assets			
Invested in Capital Assets (net of related debt)	2,753,688	-	2,753,688
Reserved for Long-Term Advances	4,800	-	4,800
Unrestricted	3,186,477	1,103,450	4,289,927
Total Net Assets	\$ 5,944,965	\$ 1,103,450	\$ 7,048,415

The current level of unrestricted net assets for our governmental activities stands at \$3,186,477, or about 41% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 25%. Net Assets of the business – type activities increased approximately 2%.

The following table shows the activities of the County.

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-Type Activities</u> <u>2004</u>	<u>Total</u> <u>2004</u>
Program Revenues			
Charges for Services	\$ 2,924,554	\$ 191,945	\$ 3,116,499
Operating Grants and Contributions	1,741,787	-	1,741,787
General Revenues			
Property Taxes	3,476,768	-	3,476,768
State-Shared Revenues	279,464	-	279,464
Federal, State and Local – General	664,960	-	664,960
Unrestricted Investment Earnings	28,769	12,052	40,821
Transfers	<u>146,762</u>	<u>(146,762)</u>	<u>-</u>
Total Revenues	<u>9,263,064</u>	<u>57,235</u>	<u>9,320,299</u>
Program Expenses			
Legislative	364,569	-	364,569
Judicial	1,419,653	-	1,419,653
General Government	1,409,716	-	1,409,716
Public Safety	2,717,775	-	2,717,775
Health and Welfare	953,648	-	953,648
Community/Economic Development	42,483	-	42,483
Recreation & Culture	363,957	-	363,957
Other Expenses	509,249	-	509,249
Tax Collection	<u>-</u>	<u>33,758</u>	<u>33,758</u>
Total Expenses	<u>7,781,050</u>	<u>33,758</u>	<u>7,814,808</u>
Change in Net Assets	<u>\$ 1,482,014</u>	<u>\$ 23,477</u>	<u>\$ 1,505,491</u>

**Governmental Activities**

Revenue from property taxes increased 4.4% from the previous year gaining \$145,063, which was a significant improvement from the trend. Average gains from property taxes over the previous five years were \$109,408 per year. Changes in sentencing guidelines have increased the net cost of housing various inmates from the previous period. Revenue Sharing also decreased 7.5% from the State, which meant an additional \$18,129 across the board reduction.

Health insurance premiums decreased by 14% due to a self-funding wrap program, however the cost of the wrap for 2004 was \$131,481. The county benefited from the wrap program in 2003, the 2004 projection indicates that there was no significant change between the wrap program and the cost of full premium based health insurance. Costs for liability insurance, on the other hand, went up 20% or \$14,107. The General Fund exclusively pays these costs. The increase in cost can be attributed to a number of claims and current litigations in which the county has been involved.

Wages for elected and non-union employees were frozen during the period. This was the second year in a row that no wage increases were granted to the non-union and elected officials. This group also paid 5% of the insurance premium cost through payroll deduction in order to save costs. These were some of the budget reduction measures taken to live within projected revenues for the fiscal year.

**Business-Type Activities**

The County business-type activities are multi-faceted. They range from tax collection, which has significantly supported the General Fund in the past, as well as the Jail Commissary fund that provides inmates with commodities desirable during incarceration.

**The County's Funds**

Our analysis of the County's major funds begins on page 10 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage or other dedicated revenues. The County's major funds for 2004 include the General Fund, Economic Development, Library, Housing Commission, Commission on Aging, 2003 Delinquent Tax Fund, 2002 Delinquent Tax Fund, and 1999 Delinquent Tax Fund.

The General Fund supports most of the County's governmental services. The lion's share is dedicated to law enforcement and the adjudication process. This would include the Sheriff's road patrol, Prosecutors' Office, all Court functions and the Jail. The balance of the general fund activities is used in community service type departments. The Library passed an operational millage to offset the costs associated with a main library and its oversight of three branch libraries. The Commission on Aging is another major fund that has revenue dedicated from a specific millage. There has been a significant restructuring within this fund that provides more detailed information than in previous reports.

**General Fund Budgetary Highlights**

Revenue in the District Court increased about \$34,400 or about 10.7% in the period over the previous year due to the increased court costs and a newly implemented traffic safety program. An additional \$18,000 was collected for the Register of Deeds Technology Fund, while Building and Grounds revenue increased by about 70% due to increased administrative charges and the sale of a general fund vehicle to Building and Zoning. Conversely, revenue from boarding of prisoners fell about \$56,125 or by about 45%. Although corporate counsel charges decreased by 44%, they were still almost \$113,000, well above the \$40,000 originally budgeted. The year ended with a transfer of approximately \$150,000 from the delinquent tax revolving fund in order for the General Fund balance to remain consistent with the previous year's fund balance.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenue and expenses that developed in the year. The major adjustments in revenue occurred in District Court, Clerk/Register of Deeds and Building and Grounds. Major changes in expenses included the increases of approximately \$65,000 in the Trial Court, \$72,000 in corporate counsel and \$73,000 in capital outlay, mostly used for vehicles.

**Other Funds**

Two new funds were created this year. The Primary Residence Exemption fund (P.R.E., formally known as the homestead exemption) was created to receive revenues that resulted in costs associated with an invalid P.R.E. that was discovered and corrected. The other fund, a Courthouse Preservation Fund that is funded through a \$10.00 surcharge on district court tickets and used for the maintenance/enhancement of the county courthouse. This will be critical as the building ages and repair/replacement becomes unavoidable.

**Capital Asset and Debt Administration**

During the 2004 period, the County invested \$72,484 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included three patrol vehicles, one vehicle for animal control and a number of protective vests for law enforcement. There were lesser dollar purchases as well for the purpose of upgrading selected personal computers. At year end the County had invested \$4,261,486 in capital assets.

The County reduced its bond debt load by \$1,165,000 in principal payments in 2004 ending with a debt balance of \$1,920,000. \$1,020,000 was for payments on delinquent taxes with the balance being put toward bonds for the Jail and Government Center buildings.

**Economic Factors and Next Year's Budgets and Rates**

The County is in a budget battle from year to year. Normally, the cap on the growth rate under the Headlee Amendment, the voters reluctance to adjust or augment taxes for general operation, and the corresponding double digit growth rates in health and liability insurance have put significant limitations on budget flexibility. In the midst of all these budgetary pressures, the County finds itself embroiled in a bitter litigation involving the Judicial Trial Court and its funding requirements. At the end of this battle awaits a significant amount of attorney fees that probably need to be paid. The final amount and Crawford County's share of that amount has yet to be determined. There are looming indications from the State that further cuts will occur, this could take the form of new sentencing guidelines that will increase the cost of operating the local jail, under-funding of the State's PILT obligation or a yet to be determined initiative that will help the State's budget while harming the local units of government. This could put increased pressure on already tight budget projections.

**Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the County Administrator at 200 W. Michigan Ave., Grayling, MI 49738

## **Basic Financial Statements**

---

# County of Crawford, Michigan

## Statement of Net Assets September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
<b>ASSETS:</b>				
Current Assets:				
Cash & Investments - Unrestricted	\$ 2,718,889	\$ 1,042,161	\$ 3,761,050	\$ 793,747
Receivables:				
Accounts	148,726	-	148,726	540,707
Taxes	2,517	740,384	742,901	-
Interest	-	73,542	73,542	-
Notes	1,453,861	-	1,453,861	-
Advances	4,800	-	4,800	-
Prepaid Expenses	44,220	-	44,220	75,896
Due from Governmental Units	150,285	399	150,684	-
Inventories	2,010	-	2,010	247,667
Other Assets	-	13,641	13,641	13,261
Total Current Assets	4,525,308	1,870,127	6,395,435	1,671,278
Non-Current Assets:				
Capital Assets (Net of Accumulated Depreciation)	4,261,486	-	4,261,486	2,336,764
TOTAL ASSETS	<u>\$ 8,786,794</u>	<u>\$ 1,870,127</u>	<u>\$ 10,656,921</u>	<u>\$ 4,008,042</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Internal Loans	\$ 464,994	\$ 134,940	\$ 599,934	\$ -
Accounts Payable	585,679	1,182	586,861	206,450
Accrued Liabilities	120,893	-	120,893	45,133
Accrued Interest Payable	22,450	-	22,450	3,988
Due to Governmental Units	25,502	80,555	106,057	-
Advances from State	-	-	-	243,851
Deferred Revenue	-	-	-	89,059
Capital Leases	58,896	-	58,896	59,218
Bonds Payable	145,000	-	145,000	60,000
Total Current Liabilities	1,423,414	216,677	1,640,091	707,699
Non-Current Liabilities:				
Vested Employee Benefits	114,513	-	114,513	58,746
Capital Leases	78,902	-	78,902	423,595
Bonds Payable	1,225,000	550,000	1,775,000	330,000
Total Non-Current Liabilities	1,418,415	550,000	1,968,415	812,341
TOTAL LIABILITIES	<u>2,841,829</u>	<u>766,677</u>	<u>3,608,506</u>	<u>1,520,040</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	2,753,688	-	2,753,688	1,463,951
Reserved for Long-Term Advances	4,800	-	4,800	-
Restricted for County Road	-	-	-	1,018,661
Unrestricted	3,186,477	1,103,450	4,289,927	5,390
TOTAL NET ASSETS	<u>\$ 5,944,965</u>	<u>\$ 1,103,450</u>	<u>\$ 7,048,415</u>	<u>\$ 2,488,002</u>



# County of Crawford, Michigan

## Statement of Activities For the Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	364,569	-	-	-	(364,569)	-	(364,569)	-
Judicial	1,419,653	389,733	467,472	-	(562,448)	-	(562,448)	-
General Government	1,409,716	617,351	158,210	-	(634,155)	-	(634,155)	-
Public Safety	2,717,775	461,165	506,361	-	(1,750,249)	-	(1,750,249)	-
Health & Welfare	953,648	2,444	306,786	-	(644,418)	-	(644,418)	-
Community/Economic Development	42,483	1,453,861	176,635	-	1,588,013	-	1,588,013	-
Recreation & Culture	363,957	-	126,323	-	(237,634)	-	(237,634)	-
Other Expenses	509,249	-	-	-	(509,249)	-	(509,249)	-
Total Governmental Activities	7,781,050	2,924,554	1,741,787	-	(3,114,709)	-	(3,114,709)	-
<b>Business-type activities:</b>								
Tax Collection	33,758	191,945	-	-	-	158,187	158,187	-
Total Business-type Activities	33,758	191,945	-	-	-	158,187	158,187	-
Total Primary Government	\$ 7,814,808	\$ 3,116,499	\$ 1,741,787	\$ -	(3,114,709)	158,187	(2,956,522)	-
<b>Component Units:</b>								
Road Commission	3,819,438	1,004,967	2,691,339	-				(123,132)
Total Component Units	3,819,438	1,004,967	2,691,339	-				(123,132)
Total	\$ 11,634,246	\$ 4,121,466	\$ 4,433,126	\$ -				
<b>General Revenues:</b>								
Taxes					3,476,768	-	3,476,768	-
State Revenue Sharing					279,464	-	279,464	-
Federal, State, & Local - General					664,960	-	664,960	114,379
Investment Earnings (Loss)					28,769	12,052	40,821	8,214
Transfers					146,762	(146,762)	-	-
<b>Total General Revenues and Transfers</b>					4,596,723	(134,710)	4,462,013	122,593
Change in Net Assets					1,482,014	23,477	1,505,491	(539)
Net Assets - Beginning					4,462,951	1,079,973	5,542,924	2,488,541
<b>Net Assets - Ending</b>					\$ 5,944,965	\$ 1,103,450	\$ 7,048,415	\$ 2,488,002

See accompanying notes to financial statements.

# County of Crawford, Michigan

## Balance Sheet Governmental Funds September 30, 2004

	General	Economic Development	County Library	Housing Commission	Commission on Aging	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash & Investments - Unrestricted	\$ 1,047,686	\$ 286,316	\$ 246,850	\$ 91,345	\$ 344,055	\$ 702,436	\$ 2,718,688
Due from Other Funds	32,738	-	-	-	-	-	32,738
Receivables:							
Accounts	-	-	-	-	-	145,917	145,917
Taxes	-	-	-	-	2,517	-	2,517
Notes	-	134,931	-	1,318,930	-	-	1,453,861
Advances	4,800	-	-	-	-	-	4,800
Inventory	-	-	-	-	2,010	-	2,010
Due from Governmental Units	61,347	-	-	30,132	3,743	55,063	150,285
Prepaid Expenses	40,964	-	-	-	-	3,256	44,220
<b>TOTAL ASSETS</b>	<b>\$ 1,187,535</b>	<b>\$ 421,247</b>	<b>\$ 246,850</b>	<b>\$ 1,440,407</b>	<b>\$ 352,325</b>	<b>\$ 906,672</b>	<b>\$ 4,555,036</b>
<b>LIABILITIES:</b>							
Due to Other Funds	\$ 415,795	\$ 45,720	\$ -	\$ -	\$ -	\$ 36,217	\$ 497,732
Accounts Payable	555,496	-	3,496	-	5,260	21,427	585,679
Accrued Liabilities	70,093	-	5,454	2,740	18,676	23,930	120,893
Due to Governmental Units	-	-	-	-	422	25,080	25,502
Deferred Revenue	-	134,931	-	1,318,930	-	-	1,453,861
<b>TOTAL LIABILITIES</b>	<b>1,041,384</b>	<b>180,651</b>	<b>8,950</b>	<b>1,321,670</b>	<b>24,358</b>	<b>106,654</b>	<b>2,683,667</b>
<b>FUND BALANCES:</b>							
Reserved for Long-Term Advances	4,800	-	-	-	-	-	4,800
Unreserved:							
Undesignated	141,351	-	-	-	-	-	141,351
Designated	-	240,596	237,900	118,737	327,967	800,018	1,725,218
<b>TOTAL FUND BALANCES</b>	<b>146,151</b>	<b>240,596</b>	<b>237,900</b>	<b>118,737</b>	<b>327,967</b>	<b>800,018</b>	<b>1,871,369</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,187,535</b>	<b>\$ 421,247</b>	<b>\$ 246,850</b>	<b>\$ 1,440,407</b>	<b>\$ 352,325</b>	<b>\$ 906,672</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>							
Capital assets used by governmental activities							4,261,486
Long term notes & leases payable for governmental activities							(1,507,798)
Compensated absences liability							(114,513)
Internal Service Funds Activity							3,010
Deferred revenue recognized as current revenue							1,453,861
Accrued Interest Expense							(22,450)
<b>Net assets of governmental activities</b>							<b>\$ 5,944,965</b>

# County of Crawford, Michigan

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended September 30, 2004

	General	Economic Development	County Library	Housing Commission	Commission on Aging	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 3,097,137	\$ -	\$ -	\$ -	\$ 218,520	\$ 161,111	\$ 3,476,768
Licenses & Permits	17,489	-	-	-	-	177,687	195,176
Federal Sources	313,043	-	-	176,635	138,082	129,815	757,575
State Sources	607,745	-	42,806	-	73,329	539,786	1,263,666
Local Sources	-	-	1,300	-	59,785	56,842	117,927
Charges for Services	702,280	-	2,444	-	-	410,729	1,115,453
Interest & Rentals	52,279	6,430	2,010	6,967	3,047	2,262	72,995
Other Revenue	46,476	4,454	142,992	118,438	19,756	330,765	662,881
<b>TOTAL REVENUES</b>	<b>4,836,449</b>	<b>10,884</b>	<b>191,552</b>	<b>302,040</b>	<b>512,519</b>	<b>1,808,997</b>	<b>7,662,441</b>
<b>EXPENDITURES:</b>							
Legislative	106,791	-	-	-	-	257,778	364,569
Judicial	1,094,339	-	-	-	-	325,314	1,419,653
General Government	1,222,202	-	-	-	-	-	1,222,202
Public Safety	1,857,303	-	-	-	-	857,314	2,714,617
Health & Welfare	67,889	-	-	318,222	495,985	71,318	953,414
Community/Economic Development	-	42,508	-	-	-	-	42,508
Recreation & Cultural	-	-	277,850	-	-	4,551	282,401
Capital Outlay	76,477	-	34	-	-	83,330	159,841
Debt Service	67,740	-	-	-	-	222,050	289,790
Other Expenditures	442,274	-	-	-	-	858	443,132
<b>TOTAL EXPENDITURES</b>	<b>4,935,015</b>	<b>42,508</b>	<b>277,884</b>	<b>318,222</b>	<b>495,985</b>	<b>1,822,513</b>	<b>7,892,127</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(98,566)</b>	<b>(31,624)</b>	<b>(86,332)</b>	<b>(16,182)</b>	<b>16,534</b>	<b>(13,516)</b>	<b>(229,686)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	347,406	-	83,660	-	-	318,492	749,558
Operating Transfers Out	(248,815)	-	-	-	-	(353,981)	(602,796)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>25</b>	<b>(31,624)</b>	<b>(2,672)</b>	<b>(16,182)</b>	<b>16,534</b>	<b>(49,005)</b>	<b>(82,924)</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>146,126</b>	<b>272,220</b>	<b>240,572</b>	<b>134,919</b>	<b>311,433</b>	<b>849,023</b>	<b>1,954,293</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 146,151</b>	<b>\$ 240,596</b>	<b>\$ 237,900</b>	<b>\$ 118,737</b>	<b>\$ 327,967</b>	<b>\$ 800,018</b>	<b>\$ 1,871,369</b>

See accompanying notes to financial statements.

## County of Crawford, Michigan

---

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2004

Net Change in Fund Balance - Total Governmental Funds	\$	(82,924)
Governmental funds report capital outlays as expenditures		106,082
Depreciation expense on capital asset purchases		(167,178)
Principal payments		145,000
Capital Lease Payments		55,382
Accrued Interest Expense		(22,450)
Compensated absences		(5,759)
Deferred revenue recognized as revenue		<u>1,453,861</u>
Change in Net Assets of Governmental Activities	\$	<u><u>1,482,014</u></u>

# County of Crawford, Michigan

## Statement of Net Assets Proprietary Funds September 30, 2004

	Enterprise Funds					Internal
	1999 Delinquent Tax	2003 Delinquent Tax	2002 Delinquent Tax	Other Funds	Totals	Service Fund
<b>ASSETS:</b>						
Cash & Investments	\$ 687,632	\$ 59,682	\$ 11,685	\$ 283,162	\$ 1,042,161	\$ 201
Receivables:						
Taxes	761	629,166	106,802	3,655	740,384	-
Interest	316	43,541	29,075	610	73,542	-
Accounts	-	-	-	-	-	2,809
Due from Other Governmental Units	-	-	-	399	399	-
Other Assets	-	-	13,604	37	13,641	-
<b>TOTAL ASSETS</b>	<u>\$ 688,709</u>	<u>\$ 732,389</u>	<u>\$ 161,166</u>	<u>\$ 287,863</u>	<u>\$ 1,870,127</u>	<u>\$ 3,010</u>
<b>LIABILITIES:</b>						
Due to Other Funds	\$ 22,695	\$ 32,738	\$ -	\$ 79,507	\$ 134,940	\$ -
Accounts Payable	-	-	-	1,182	1,182	-
Due to Other Governmental Units	1,067	72,134	2,862	4,492	80,555	-
Bonds Payable	-	550,000	-	-	550,000	-
<b>TOTAL LIABILITIES</b>	<u>23,762</u>	<u>654,872</u>	<u>2,862</u>	<u>85,181</u>	<u>766,677</u>	<u>-</u>
<b>NET ASSETS:</b>						
Unrestricted	<u>664,947</u>	<u>77,517</u>	<u>158,304</u>	<u>202,682</u>	<u>1,103,450</u>	<u>3,010</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 664,947</u>	<u>\$ 77,517</u>	<u>\$ 158,304</u>	<u>\$ 202,682</u>	<u>\$ 1,103,450</u>	<u>\$ 3,010</u>

# County of Crawford, Michigan

## Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds For the Year Ended September 30, 2004

	Enterprise Funds					Internal Service Fund
	1999 Delinquent Tax	2003 Delinquent Tax	2002 Delinquent Tax	Other Funds	Totals	
<b>OPERATING REVENUES:</b>						
Charges for Services	\$ 35	\$ 17,696	\$ 30,881	\$ 24,282	\$ 72,894	\$ -
Interest & Rentals	122	64,498	47,792	6,639	119,051	-
Total Operating Revenues	157	82,194	78,673	30,921	191,945	-
<b>OPERATING EXPENSES:</b>						
General & Administrative	-	-	-	21,467	21,467	-
Other Expenses	651	-	471	2,694	3,816	-
Total Operating Expenses	651	-	471	24,161	25,283	-
<b>OPERATING INCOME (LOSS)</b>	(494)	82,194	78,202	6,760	166,662	-
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Interest on Deposits	8,955	-	-	3,097	12,052	-
Interest & Fiscal Charges	-	(4,677)	(3,798)	-	(8,475)	-
Operating Transfers In	-	-	-	8,825	8,825	-
Operating Transfers Out	-	-	-	(155,587)	(155,587)	-
Total Non-operating Revenues (Expenses)	8,955	(4,677)	(3,798)	(143,665)	(143,185)	-
<b>CHANGE IN NET ASSETS</b>	8,461	77,517	74,404	(136,905)	23,477	-
NET ASSETS, OCTOBER 1	656,486	-	83,900	339,587	1,079,973	3,010
<b>NET ASSETS, SEPTEMBER 30</b>	<u>\$ 664,947</u>	<u>\$ 77,517</u>	<u>\$ 158,304</u>	<u>\$ 202,682</u>	<u>\$ 1,103,450</u>	<u>\$ 3,010</u>

## Statement of Cash Flows Proprietary Fund Types For the Year Ended September 30, 2004

	Enterprise Funds			Totals	Internal
	1999 Delinquent Tax	2003 Delinquent Tax	2002 Delinquent Tax	(Memorandum Only)	Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers	\$ 1,515	\$ 154,328	\$ 527,036	\$ 865,808	\$ -
Payments to Suppliers	(651)	(672,707)	(471)	(699,560)	(2,913)
Internal Activity - Payments/Receipts with Other Funds	127,449	32,738	-	239,694	-
Net Cash Provided (Used) by Operating Activities	128,313	(485,641)	526,565	405,942	(2,913)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers in	-	-	-	8,825	-
Operating transfers out	-	-	-	(155,587)	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	(146,762)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Bond Proceeds	-	900,000	-	900,000	-
Principal Payments	-	(350,000)	(670,000)	(1,020,000)	-
Interest Payments	-	(4,677)	(3,798)	(8,475)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	545,323	(673,798)	(128,475)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	8,955	-	-	12,052	-
Net Cash Provided (Used) by Investing Activities	8,955	-	-	12,052	-
Net Increase (Decrease) in Cash and Cash Equivalents	137,268	59,682	(147,233)	142,757	(2,913)
Balances - Beginning of the Year	550,364	-	158,918	899,404	3,114
Balances - End of the Year	\$ 687,632	\$ 59,682	\$ 11,685	\$ 1,042,161	\$ 201
Interest Paid	\$ -	\$ 4,677	\$ 3,798	\$ 8,475	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (494)	82,194	78,202	166,662	-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Change in Assets and Liabilities:					
(Increase)Decrease in Assets:					
Taxes Receivable	454	(629,166)	438,574	(77,933)	-
Accounts Receivable	-	-	-	63	(2,809)
Interest Receivable	239	(43,541)	8,866	(3,695)	-
Due from Other Governmental Units	-	-	-	1,220	-
Due from Other Funds	104,754	-	-	104,754	-
Other Assets	-	-	(1,939)	3,294	-
Increase(Decrease) in Liabilities:					
Due to other funds	22,695	32,738	-	134,940	-
Accounts Payable	665	-	-	(730)	(104)
Due to Other Governmental Units	-	72,134	2,862	77,367	-
Net Cash Provided by Operating Activities	\$ 128,313	(485,641)	526,565	405,942	(2,913)



# County of Crawford, Michigan

## Statement of Fiduciary Net Assets Fiduciary Funds September 30, 2004

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Cash Equivalents	\$ 839,744
Due from Other Funds	<u>599,934</u>
 TOTAL ASSETS	 <u><u>\$ 1,439,678</u></u>
 <b>LIABILITIES:</b>	
Accrued Liabilities	\$ 50,816
Due to Governmental Units	<u>1,388,862</u>
 TOTAL LIABILITIES	 <u><u>\$ 1,439,678</u></u>

# County of Crawford, Michigan

## Statement of Net Assets Component Units September 30, 2004

	Road Commission	Economic Development Corporation	Totals
<b>ASSETS:</b>			
Cash & Investments	\$ 788,357	\$ 5,390	\$ 793,747
Accounts Receivable	540,707	-	540,707
Prepaid Expenses	75,896	-	75,896
Inventories	247,667	-	247,667
Other Assets	13,261	-	13,261
Capital Assets (net)	2,336,764	-	2,336,764
<b>TOTAL ASSETS</b>	<b>\$4,002,652</b>	<b>\$ 5,390</b>	<b>\$ 4,008,042</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	\$ 206,450	\$ -	\$ 206,450
Accrued Liabilities	45,133	-	45,133
Accrued Interest Payable	3,988	-	3,988
Advances from State	243,851	-	243,851
Deferred Revenue	89,059	-	89,059
Bonds Payable	60,000	-	60,000
Capital Leases Payable	59,218	-	59,218
Noncurrent Liabilities:			
Bonds Payable	330,000	-	330,000
Capital Leases Payable	423,595	-	423,595
Vested Employee Benefits	58,746	-	58,746
<b>TOTAL LIABILITIES</b>	<b>1,520,040</b>	<b>-</b>	<b>1,520,040</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	1,463,951	-	1,463,951
Restricted for County Road	1,018,661	-	1,018,661
Unrestricted	-	5,390	5,390
<b>TOTAL NET ASSETS</b>	<b>\$2,482,612</b>	<b>\$ 5,390</b>	<b>\$ 2,488,002</b>

# County of Crawford, Michigan

## Statement of Activities Component Units For the Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
<b>Road Commission:</b>							
Public Works	\$ 3,819,438	\$ 1,004,967	\$ 2,691,339	\$ -	\$ (123,132)	\$ -	\$ (123,132)
<b>Economic Development Corporation</b>							
Community/Economic Development	-	-	-	-	-	-	-
Total Component Units	<u>\$ 3,819,438</u>	<u>\$ 1,004,967</u>	<u>\$ 2,691,339</u>	<u>\$ -</u>	<u>(123,132)</u>	<u>-</u>	<u>(123,132)</u>
<b>General Revenues:</b>							
Investment Earnings					8,196	18	8,214
Other					114,379	-	114,379
<b>Total General Revenues and Transfers</b>					<u>122,575</u>	<u>18</u>	<u>122,593</u>
Change in Net Assets					(557)	18	(539)
Net Assets - Beginning					2,483,169	5,372	2,488,541
<b>Net Assets - Ending</b>					<u>\$ 2,482,612</u>	<u>\$ 5,390</u>	<u>\$ 2,488,002</u>

## **Notes to the Financial Statements**

---

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Crawford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

### **A – Reporting Entity:**

#### **Financial Reporting Entity**

The County of Crawford, Michigan was organized in 1845 and covers an area approximately 576 square miles with the County Seat located in Grayling, Michigan. The County is governed by an elected seven member board. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the County of Crawford and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

#### Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

#### **Blended Component Units**

Crawford County Building Authority - The Authority is an entity legally separate from the County. The Authority is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

#### **Discretely Presented Component Units**

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Crawford County Road Commission - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Crawford County Road Commission  
500 Huron Street  
Grayling, MI 49738

Crawford County Economic Development Corporation - The Corporation is a legally separate non profit corporation whose primary purpose is to promote economic development in Crawford County. The board of the corporation is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because the approval of the corporation's annual budget is subject to the approval of the Commission and is financially accountable to the County.

**Jointly Governed Organization**

District #10 Health Department - The County of Crawford, in conjunction with nine other counties, has created the District #10 Health Department. The Board of the Health Department is composed of 10 members from each of the boards of the participating governments. The County of Crawford appropriated \$91,287 (6.5% of total local appropriations) to the District #10 Health Department for the year ended September 30, 2004.

North Central Michigan Mental Health Department - The County of Crawford, in conjunction with Wexford and Roscommon, has created the North Central Michigan Mental Health Department. The board of the Mental Health Department is composed of 12 members from each of the boards of the participating governments. The County of Crawford appropriated \$32,091 (17.3% of total local appropriations) to the Northern Michigan Community Mental Health Board for the year ended September 30, 2004.

Multi-County Agency - The County participates jointly in the operation of the Otsego-Crawford County Family Independence Agency (a special revenue fund of Otsego and Crawford County). Most financial operations of the Agency are recorded in Otsego County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Crawford property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Crawford as of the preceding December 31<sup>st</sup>.

Although the County of Crawford 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the County of Crawford's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the County of Crawford totaled \$459,557,759, on which ad valorem taxes levied consisted of 6.1825 mills for the County operating, .3500 mills for Library Debt, .4755 mills for Commission on Aging, .4918 mills for recreation authority, .7132 mills for Public Transit, raising \$2,841,216 for operating, \$160,845 for Library Debt, \$218,520 for Commission on Aging, \$226,011 for recreation authority, and \$327,757 for Public Transit. These amounts are recognized in the respective General, Special Revenue and Agency Fund financial statements as taxes receivable – current or as tax revenue.

The County reports the following major governmental funds:

**General Fund**

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Economic Development**

The Economic Development fund accounts for loans made for economic development to businesses in Crawford County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**County Library**

The County Library provides cultural and educational enrichment to the residents of Crawford County.

**Housing Commission**

This fund provides loans to individuals in Crawford County for low income housing and rehabilitation of existing homes.

**Commission on Aging**

The Commission on Aging fund provides food services to the elderly.

The County reports the following major propriety funds:

**1999 Delinquent Tax Fund**

This fund accounts for the collection of delinquent taxes.

**2002 Delinquent Tax Fund**

This fund accounts for the collection of delinquent taxes.

**2003 Delinquent Tax Fund**

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

Special Revenue Funds - The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds - The debt service funds accounts for the servicing of general long-term debt not being financed by proprietary or permanent trust funds.

Capital Project Fund – The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)

Internal Service Funds - Internal service funds account for the operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Except for the Commission on Aging, all other inventories, including the cost of supplies, are expensed when purchased. Certain payments for insurance charges reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The county’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual vacation benefits earned by each employee during the current year are credited to the employee at year-end. Employees are required to use their vacation leave in accordance with the applicable bargaining unit contract. Under special circumstances, the carry-over provision may be exceeded if authorized by the Board.

The county's employment policies provide for sick leave benefits to be earned in accordance with the applicable bargaining unit contract. When employees separate from employment with the County, bargaining unit employees are entitled to be compensated for earned paid leave time that has accrued. However, non-union employees have no such entitlement to accrued time off.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

### NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,718,889	\$ 1,042,161	\$ 3,761,050	\$ 839,744	\$ 793,747
Total	<u>\$ 2,718,889</u>	<u>\$ 1,042,161</u>	<u>\$ 3,761,050</u>	<u>\$ 839,744</u>	<u>\$ 793,747</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 3,751,714	\$ 839,744	\$ 793,547
Petty Cash and Cash on Hand	<u>9,336</u>	<u>-</u>	<u>200</u>
Total	<u>\$ 3,761,050</u>	<u>\$ 839,744</u>	<u>\$ 793,747</u>

#### Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.



### NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the County's primary and fiduciary deposits was \$4,591,458 and the bank balance was \$4,569,243. Of the bank balance, \$699,878, approximately 15%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

### NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, are as follows:

	General Fund	Economic Development Operations	Housing	COA	Non-Major and Other Funds	Total
Receivables:						
Accounts	\$ -	\$ -	\$ -	\$ -	\$ 145,917	\$ 145,917
Taxes	-	-	-	2,517	-	2,517
Notes	-	134,931	1,318,930	-	-	1,453,861
Advances	4,800	-	-	-	-	4,800
Due From Others	61,347	-	30,132	3,743	55,063	150,285
Net Receivables	<u>\$ 66,147</u>	<u>\$ 134,931</u>	<u>\$ 1,349,062</u>	<u>\$ 6,260</u>	<u>\$ 200,980</u>	<u>\$ 1,757,380</u>

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 3,727,500	\$ -	\$ -	\$ 3,727,500
Capital assets being depreciated:				
Buildings and improvements	3,500,000	-	-	3,500,000
Furniture and equipment	180,774	17,400	-	198,174
Vehicles	<u>422,387</u>	<u>88,682</u>	<u>(86,185)</u>	<u>424,884</u>
Subtotal	<u>4,103,161</u>	<u>106,082</u>	<u>(86,185)</u>	<u>4,123,058</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,062,500)	(87,500)	-	(3,150,000)
Furniture and equipment	(132,287)	(27,850)	-	(160,137)
Vehicles	<u>(313,292)</u>	<u>(51,828)</u>	<u>86,185</u>	<u>(278,935)</u>
Subtotal	<u>(3,508,079)</u>	<u>(167,178)</u>	<u>86,185</u>	<u>(3,589,072)</u>
Net capital assets being depreciated	<u>595,082</u>	<u>(61,096)</u>	<u>-</u>	<u>533,986</u>
Capital Assets – Net of Depreciation	<u>\$ 4,322,582</u>	<u>\$ (61,096)</u>	<u>\$ -</u>	<u>\$ 4,261,486</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ <u>167,178</u>
Total Governmental Activities	<u>\$ 167,178</u>

## NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity of the Crawford County Road commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 73,092	\$ -	\$ -	\$ 73,092
Capital assets being depreciated:				
Buildings	1,924,597	-	-	1,924,597
Equipment – road	3,581,602	40,967	108,184	3,514,385
Equipment – shop	55,651	8,713	1,067	63,297
Equipment – office	142,504	-	521	141,983
Equipment – engineer	6,483	-	1,500	4,983
Depletable assets	50,282	-	-	50,282
Infrastructure – roads	-	22,804	-	22,804
Subtotal	<u>5,761,119</u>	<u>72,484</u>	<u>111,272</u>	<u>5,722,331</u>
Less accumulated depreciation:				
Buildings	480,343	33,192	-	513,535
Equipment – road	2,475,708	371,800	102,531	2,744,977
Equipment – shop	50,794	2,274	1,067	52,001
Equipment – office	79,758	15,428	500	94,686
Equipment – engineer	5,056	312	1,300	4,068
Depletable assets	49,107	-	-	49,107
Infrastructure – roads	-	285	-	285
Subtotal	<u>3,140,766</u>	<u>423,291</u>	<u>105,398</u>	<u>3,458,659</u>
Net capital assets being depreciated	<u>2,620,353</u>	<u>(350,807)</u>	<u>5,874</u>	<u>2,263,672</u>
Total Net Capital Assets	<u>\$ 2,693,445</u>	<u>\$ (350,807)</u>	<u>\$ 5,874</u>	<u>\$ 2,336,764</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	DTRF 2003	\$ 32,738
Trust & Agency	Revenue Sharing	25,719
Trust & Agency	General	415,795
Trust & Agency	Economic Development	45,720
Trust & Agency	Remonumentation	9,955
Trust & Agency	Hatchery Restoration	543
Trust & Agency	DTRF 1999	22,695
Trust & Agency	DTRF Prior	79,507
Total		<u>\$ 632,672</u>

**Interfund Transfers**

TRANSFERS IN	TRANSFERS (OUT)		
	General Fund	All Others	Total
General Fund	\$ -	\$ 347,406	\$ 347,406
All Other	<u>248,815</u>	<u>162,162</u>	<u>410,977</u>
Total	<u>\$ 248,815</u>	<u>\$ 509,568</u>	<u>\$ 758,383</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### NOTE 7 - LEASES

Capital Leases – The County leases equipment under capital leases with quarterly lease payments of \$16,521 including an interest rate of 6.2%. The lease qualifies as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2005	66,088
2006	66,087
2007	<u>16,521</u>
Total minimum lease payments	148,696
Less amount representing interest	<u>(10,898)</u>
Present value of minimum lease payment	<u>\$ 137,798</u>

### NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General Obligation Bonds							
1990 Building Authority Bonds	5.3-8%	2009	\$ 315,000	\$ -	\$ (45,000)	\$ 270,000	\$ 45,000
1997 Library	4.5-5.1%*	2007	<u>1,200,000</u>	<u>-</u>	<u>(100,000)</u>	<u>1,100,000</u>	<u>100,000</u>
Total Governmental Activities			<u>\$ 1,515,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ 1,370,000</u>	<u>\$ 145,000</u>
<b>Business-Type Activities</b>							
General Obligation Bonds							
2003 Tax Notes Series	Variable**	2006	\$ 670,000	-	\$ (670,000)	\$ -	\$ -
2004 Tax Notes Series	Variable**	2007	<u>-</u>	<u>900,000</u>	<u>(350,000)</u>	<u>550,000</u>	<u>-</u>
Total Business-Type Activities			<u>\$ 670,000</u>	<u>\$ 900,000</u>	<u>\$ 1,020,000</u>	<u>\$ 550,000</u>	<u>\$ -</u>

**NOTE 8 - LONG-TERM DEBT (Continued)**

Other Information on Long-Term Debt

The General Obligation Tax Notes were issued to finance the 100 percent Tax Payment Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections 211.87b, 211.87c, and 211.87d of the 1979 Compiled Laws, as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

\* 1997 Building Authority general obligation bonds represent a legal partial defeasance of the 1990 Building Authority general obligation bonds.

\*\*Interest payments vary according to payment dates and interest rates. Because payment dates have not been prescheduled and interest is variable, outstanding interest is not determinable at this time.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 145,000	\$ 72,075
2006	150,000	54,325
2007	155,000	50,200
2008	160,000	47,700
2009	160,000	38,800
2010-2014	500,000	124,800
2015-2016	<u>100,000</u>	<u>15,200</u>
Total	<u>\$ 1,370,000</u>	<u>\$ 403,100</u>

Vested benefits payable at September 30, 2004 is \$114,513.

**NOTE 8 - LONG-TERM DEBT (Continued)**

The Long-Term Debt of the Road Commission is composed of eight items; six capitalized leases, vested vacation and sick leave and Act 51 Bonds payable.

	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:				
Capitalized leases	\$ 498,652	\$ (15,839)	\$ 482,813	\$ 59,218
Act 51 bonds	450,000	(60,000)	390,000	60,000
Compensated absences	<u>71,258</u>	<u>(12,512)</u>	<u>58,746</u>	<u>-</u>
	<u>\$ 1,019,910</u>	<u>\$ (88,351)</u>	<u>\$ 931,559</u>	<u>\$ 119,218</u>

**Capitalized Leases**

<u>Payable to:</u>	<u>Lease Date</u>	<u>Equipment</u>	<u>Principal Due</u>
Caterpillar Financial, monthly payments of \$1,250 with a final payment of \$126,548 due 1/20/06, Interest rate 6.00%.	1/18/01	Motor Grader	\$ 134,283
Caterpillar Financial, monthly payments of \$1,250 with a final payment of \$126,548 due 1/20/03, interest rate 6.00%.	1/18/01	Motor Grander	134,858
Caterpillar Financial, monthly payments of \$705 with a final payment of \$70,705 due 6/14/07, interest rate 4.5%.	6/14/02	938G Loader	83,322
Caterpillar Financial, monthly payments of \$347 with a final payment of \$90,347 due 6/14/07, interest rate 4.5%.	6/14/02	950G Loader	90,272
Caterpillar Financial, quarterly payments of \$2,497 with a final payment of \$31,000 due 4/20/05, interest rate 4.5%.	4/20/02	Soil Drum Compactor	32,783
Caterpillar Financial, annual payment of \$7,569 with a final payment of \$7,569 due 5/15/05, interest rate 3.75%.	5/15/03	Excavator	<u>7,295</u>
Total Capitalized Leases			<u>\$ 482,813</u>

### NOTE 8 - LONG-TERM DEBT (Continued)

The Act 51 Bonds were issued June 18, 1990 in the amount of \$1,000,000 for the purpose of defraying part of the cost of acquiring and constructing a maintenance garage facility. Interest payments are required semi-annually on February 1st and August 1st. Principal payments are due annually on August 1st. Interest rates varied from 6.8% to 9.12%.

The bonds were refunded on October 21, 1997 with a resulting weighted average interest rate of 6.418%. The net present value savings of the refinancing is \$41,837 with a net cumulative savings of \$55,819. The first call date for the bonds is August 1, 2007 with the first callable maturity being August 1, 2008.

A schedule of the outstanding debt follows:

<u>Payment Date</u>	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
Feb - 2005		\$ 10,550	\$ 10,550	
Aug - 2005	\$ 60,000	14,010	74,010	\$ 84,560
Feb - 2006		9,592	9,592	
Aug - 2006	60,000	11,880	71,880	81,472
Feb - 2007		6,676	6,676	
Aug - 2007	65,000	6,676	71,676	78,352
Feb - 2008		5,100	5,100	
Aug - 2008	65,000	5,100	70,100	75,200
Feb - 2009		3,475	3,475	
Aug - 2009	70,000	3,475	73,475	76,950
Feb - 2010		1,690	1,690	
Aug - 2010	<u>70,000</u>	<u>(3,310)</u>	<u>66,690</u>	68,380
	<u>\$ 390,000</u>	<u>\$ 74,914</u>	<u>\$ 464,914</u>	

Total debt payments due in future years are shown below:

	<u>Capitalized Leases</u>		<u>Act 51 bonds</u>	
	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
2005	\$ 59,218	\$ 24,461	\$ 60,000	\$ 24,560
2006	260,043	11,921	60,000	21,472
2007	163,553	4,860	65,000	13,352
2008	-	-	65,000	10,200
2009	-	-	70,000	6,950
2010	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>(1,620)</u>
Total	<u>\$ 482,814</u>	<u>\$ 41,242</u>	<u>\$ 390,000</u>	<u>\$ 74,914</u>



## NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2004.

Liability Insurance – In 1996, the County of Crawford signed the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future.

Litigation - The County is involved in various lawsuits now pending. It is the opinion of the County and of its counsel that the outcome of the various lawsuits will not materially affect the operations or the financial position of the County. The amount of all legal costs relating to such actions are not currently determinable.

On February 3, 2003, the 46<sup>th</sup> District Court ruled in favor of the Unified Court System and ordered the counties comprising the System to pay for the System's legal costs. Crawford County's portion amounted to \$238,635. On September 30, 2003, Crawford and Kalkaska Counties appealed the decision. As of September 30, 2004, the outcome of the appeal makes the probability and amount of the liability for Crawford County undeterminable.

## NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

### Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0-2.25 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2003.

**NOTE 10 -EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2003 is as follows:

Courthouse Employees	10.77%
Sheriff Department:	
Command	17.72%
Deputies	11.02%
Central Dispatch	9.81%
Elected Officials	13.95%
Commissioner	15.95%
Non-Union/Non-Elected	13.95%

**Annual Pension Cost**

During the fiscal year ended September 30, 2004, the County's contributions totaling \$286,022 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent attributable to inflation and additional projected salary increases of 9 to 4.167 per year depending on age, attributable to seniority/merit.

**NOTE 10 -EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31, follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 5,038,429	\$ 5,298,995	\$ 5,723,532
Actuarial Accrued Liability	7,117,246	8,073,502	8,773,218
Unfunded AAL	2,078,817	2,774,507	3,049,686
Funded Ratio	71%	66%	65%
Covered Payroll	2,231,398	2,114,343	2,193,477
UAAL as a Percentage of Covered Payroll	93%	131%	139%

**ROAD COMMISSION**

Description of Plan and Plan Assets

The Road Commission is an agent, multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute based on gross wages by County Road Commission only.

**NOTE 10 -EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Annual Pension Cost

For year ended September 30, 2004, the Crawford County Road Commission's pension cost of \$190,512 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2001, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 1,534,472	\$ 1,785,770	\$ 2,097,570
Actuarial Accrued Liability	3,286,555	4,008,597	4,407,387
Unfunded AAL	1,752,083	2,222,827	2,309,817
Funded Ratio	47%	45%	48%
Covered Payroll	1,251,488	1,292,341	1,254,731
UAAL as a Percentage of Covered Payroll	140%	172%	184%

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE**

Effective October 1, 2003, the County implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management's Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

**NOTE 12 - POST RETIREMENT BENEFITS OTHER THAN PENSION**

The County provides post retirement hospitalization to deputies of the Sheriff's Department pursuant to the terms of union contracts. Additionally, one elected County official currently receives post retirement hospitalization, pursuant to board of commission resolution.

The County funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2004, the County paid hospitalization premiums for 9 qualified individuals totaling \$58,591. Actuarial valuations of estimated future costs were not available.

In addition to the pension benefits, the Road Commission provides postretirement health care benefits for retirees who are between the ages of 62 and 65. The Road Commission pays the premium for the retiree and one half of the premium expense for spouse coverage. This benefit is established by union contract and is funded on a pay-as-you go basis. The cost for this benefit for the year ended September 30, 2004, was \$42,153.

**NOTE 13 - NOTES RECEIVABLE:**

The following is a summary of the notes receivable:

	Balance 10/01/03	Additions	Reductions	Balance 09/30/04
Housing Commission:				
Loans	\$ 1,237,116	\$ 94,142	\$ (67,899)	\$ 1,263,359
Milltown	58,994	-	(3,423)	55,571
Economic Development	104,385	35,000	(4,454)	134,931
<b>TOTALS</b>	<b>\$ 1,400,495</b>	<b>\$ 129,142</b>	<b>\$ (75,776)</b>	<b>\$ 1,453,861</b>

**NOTE 14 - FUND EQUITY RESERVES AND DESIGNATIONS:**

Fund equity reserves/designations can be described as follows:

General Fund	\$ 4,800	Advance to Grayling Recreation Authority
Debt Service	31,645	Reserved for Bond Payment
Special Revenue	1,584,639	Designated for Fund Purpose
Capital Project	108,934	Designated for Construction Fund

**NOTE 15 - BUDGET VIOLATIONS:**

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts in the Economic Development Fund are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Community/Economic Development	\$ 10,000	\$ 42,508	\$ (32,508)

## **Required Supplemental Information**

---

# County of Crawford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES:				
Taxes and Penalties	\$ 3,112,115	\$ 3,097,290	\$ 3,097,137	\$ (153)
Licenses and Permits	12,600	16,600	17,489	889
Federal Grants	279,641	357,508	313,043	(44,465)
State Grants	605,242	603,675	607,745	4,070
Charges for Services	638,281	704,831	702,280	(2,551)
Interest & Rentals	49,400	52,900	52,279	(621)
Other Revenues	40,650	53,292	46,476	(6,816)
TOTAL REVENUES	4,737,929	4,886,096	4,836,449	(49,647)
EXPENDITURES:				
Legislative:				
Board of Commissioners	118,950	107,100	106,791	309
General Government:				
Corporate Counsel	40,500	112,500	112,464	36
Elections	11,100	10,100	9,589	511
County Clerk	194,195	183,195	179,622	3,573
Controller's Office	104,255	100,305	99,069	1,236
Equalization	154,260	129,260	127,092	2,168
Prosecuting Attorney	320,610	307,660	301,520	6,140
Crime Victims Program	38,350	38,350	38,351	(1)
Purchasing	47,000	46,082	45,812	270
County Treasurer	116,560	114,810	113,800	1,010
Data Processing	37,700	44,650	44,633	17
Buildings and Grounds	143,265	150,765	149,700	1,065
Drain Commission	1,500	250	250	-
Conservation	300	300	300	-
Total general government	1,209,595	1,238,227	1,222,202	16,025
Judicial:				
Trial Court	964,251	1,029,665	1,006,936	22,729
Court Appointed Attorneys	92,905	86,605	86,155	450
Jury Commission	750	1,250	1,248	2
Total judicial	1,057,906	1,117,520	1,094,339	23,181



# County of Crawford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Secondary Road Patrol	72,325	64,825	64,538	287
Sheriff	823,781	842,931	836,737	6,194
Baliff	-	16,500	15,523	977
Marine Department	21,000	26,500	24,695	1,805
Snowmobile	16,310	15,410	15,376	34
Jail	800,283	784,383	777,011	7,372
Inmate Transportation	8,820	12,320	11,910	410
Emergency Preparedness	24,965	75,000	79,604	(4,604)
Animal Control	29,865	32,365	31,909	456
Total public safety	1,797,349	1,870,234	1,857,303	12,931
Health And Welfare:				
Substance Abuse	38,220	36,450	36,433	17
Medical Examiner	24,500	29,000	26,526	2,474
Burial Expense	6,600	5,100	4,930	170
Total health and welfare	69,320	70,550	67,889	2,661
Capital Outlay	3,600	77,000	76,477	523
Debt Service	66,100	66,100	67,740	(1,640)
Other Expenditures:				
Appropriations	154,368	141,168	129,970	11,198
Fringe Benefits	110,000	228,070	221,515	6,555
Insurance	63,077	71,577	71,137	440
Other	50,614	-	19,652	(19,652)
Total other expenditures	378,059	440,815	442,274	(1,459)
TOTAL EXPENDITURES	4,700,879	4,987,546	4,935,015	52,531
EXCESS OF REVENUES OVER EXPENDITURES	37,050	(101,450)	(98,566)	2,884
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	210,000	360,500	347,406	(13,094)
Operating Transfers Out	(247,050)	(259,050)	(248,815)	10,235
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	25	\$ 25
FUND BALANCES, OCTOBER 1			146,126	
FUND BALANCES, SEPTEMBER 30			\$ 146,151	

# County of Crawford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Economic Development For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest & Rentals	-	-	6,430	6,430
Other Revenues	10,000	10,000	4,454	(5,546)
TOTAL REVENUES	10,000	10,000	10,884	884
EXPENDITURES:				
Community/Economic Development	10,000	10,000	42,508	(32,508)
TOTAL EXPENDITURES	10,000	10,000	42,508	(32,508)
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	(31,624)	\$ (31,624)
FUND BALANCE, OCTOBER 1			272,220	
FUND BALANCE, SEPTEMBER 30			\$ 240,596	

# County of Crawford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule County Library For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 20,000	\$ 42,150	\$ 42,806	\$ 656
Local Sources	-	-	1,300	1,300
Charges for Services	2,000	2,500	2,444	(56)
Interest & Rentals	2,000	2,000	2,010	10
Other Revenues	140,250	142,200	142,992	792
TOTAL REVENUES	164,250	188,850	191,552	2,702
EXPENDITURES:				
Recreation & Culture	269,129	281,939	277,850	4,089
Capital Outlay	-	50	34	16
TOTAL EXPENDITURES	269,129	281,989	277,884	4,105
EXCESS OF REVENUES (EXPENDITURES)	(104,879)	(93,139)	(86,332)	6,807
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	83,660	83,660	83,660	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (21,219)	\$ (9,479)	(2,672)	\$ 6,807
FUND BALANCE, OCTOBER 1			240,572	
FUND BALANCE, SEPTEMBER 30			\$ 237,900	

# County of Crawford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Housing Commission For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 150,000	\$ 150,000	\$ 176,635	\$ 26,635
Interest & Rentals	-	-	6,967	6,967
Other Revenues	215,000	215,000	118,438	(96,562)
TOTAL REVENUES	365,000	365,000	302,040	(62,960)
EXPENDITURES:				
Health & Welfare	365,000	365,000	318,222	46,778
TOTAL EXPENDITURES	365,000	365,000	318,222	46,778
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	(16,182)	\$ (16,182)
FUND BALANCE, OCTOBER 1			134,919	
FUND BALANCE, SEPTEMBER 30			\$ 118,737	

# County of Crawford, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Commission on Aging For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 231,939	\$ 218,520	\$ (13,419)
Federal Sources	221,139	113,766	138,082	24,316
State Sources	-	73,594	73,329	(265)
Local Sources	-	78,540	59,785	(18,755)
Interest & Rentals	6,000	6,000	3,047	(2,953)
Other Revenues	80,500	16,439	19,756	3,317
TOTAL REVENUES	307,639	520,278	512,519	(7,759)
EXPENDITURES:				
Health & Welfare	455,888	518,753	495,985	22,768
TOTAL EXPENDITURES	455,888	518,753	495,985	22,768
EXCESS OF REVENUES (EXPENDITURES)	(148,249)	1,525	16,534	15,009
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	156,249	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 8,000	\$ 1,525	16,534	\$ 15,009
FUND BALANCE, OCTOBER 1			311,433	
FUND BALANCE, SEPTEMBER 30			\$ 327,967	

## **Other Supplemental Information**

---

# County of Crawford, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

### Special Revenue Funds

#### ASSETS:

	Revenue Sharing	Friend of the Court	Family Counseling	Enforcement/ Recycle	Liquor Law	COPS Grant	Building & Zoning
Cash and Equivalents	\$ -	\$ 11,765	\$ 14,859	\$ 164,579	\$ 1,321	\$ 171,844	\$ 49,353
Accounts Receivable	-	41	-	-	-	15,024	-
Due from Other Governmental Units	54,998	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-

TOTAL ASSETS	<u>\$ 54,998</u>	<u>\$ 11,806</u>	<u>\$ 14,859</u>	<u>\$ 164,579</u>	<u>\$ 1,321</u>	<u>\$ 186,868</u>	<u>\$ 49,353</u>
--------------	------------------	------------------	------------------	-------------------	-----------------	-------------------	------------------

#### LIABILITIES:

Due to Other Funds	\$ 25,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	11,806	-	-	-	24	535
Accrued Liabilities	-	-	-	2,370	-	6,450	2,933
Due to Governmental Units	-	-	-	-	-	-	-

TOTAL LIABILITIES	<u>25,719</u>	<u>11,806</u>	<u>-</u>	<u>2,370</u>	<u>-</u>	<u>6,474</u>	<u>3,468</u>
-------------------	---------------	---------------	----------	--------------	----------	--------------	--------------

#### FUND EQUITY

Fund Balances:							
Designated for Special Purposes	<u>29,279</u>	<u>-</u>	<u>14,859</u>	<u>162,209</u>	<u>1,321</u>	<u>180,394</u>	<u>45,885</u>

TOTAL FUND EQUITY	<u>29,279</u>	<u>-</u>	<u>14,859</u>	<u>162,209</u>	<u>1,321</u>	<u>180,394</u>	<u>45,885</u>
-------------------	---------------	----------	---------------	----------------	--------------	----------------	---------------

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 54,998</u>	<u>\$ 11,806</u>	<u>\$ 14,859</u>	<u>\$ 164,579</u>	<u>\$ 1,321</u>	<u>\$ 186,868</u>	<u>\$ 49,353</u>
-----------------------------------	------------------	------------------	------------------	-------------------	-----------------	-------------------	------------------

# County of Crawford, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

	Special Revenue Funds						
	Dare Education	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library	911
ASSETS:							
Cash and Equivalents	\$ 9,537	\$ -	\$ -	\$ 1,433	\$ 3,290	\$ 819	\$ 16,503
Accounts Receivable	-	17,974	-	-	-	-	50,354
Due from Other Governmental Units	-	-	-	-	-	65	-
Prepaid Expenses	-	-	-	3,256	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 9,537</b>	<b>\$ 17,974</b>	<b>\$ -</b>	<b>\$ 4,689</b>	<b>\$ 3,290</b>	<b>\$ 884</b>	<b>\$ 66,857</b>
LIABILITIES:							
Due to Other Funds	\$ -	\$ 9,955	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	4,409	-	-	1,456
Accrued Liabilities	-	-	-	-	-	-	10,133
Due to Governmental Units	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>9,955</b>	<b>-</b>	<b>4,409</b>	<b>-</b>	<b>-</b>	<b>11,589</b>
FUND EQUITY							
Fund Balances:							
Designated for Special Purposes	9,537	8,019	-	280	3,290	884	55,268
<b>TOTAL FUND EQUITY</b>	<b>9,537</b>	<b>8,019</b>	<b>-</b>	<b>280</b>	<b>3,290</b>	<b>884</b>	<b>55,268</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 9,537</b>	<b>\$ 17,974</b>	<b>\$ -</b>	<b>\$ 4,689</b>	<b>\$ 3,290</b>	<b>\$ 884</b>	<b>\$ 66,857</b>



# County of Crawford, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

	Special Revenue Funds						
	Family Independence Agency	Probate Child Care	Soldiers/ Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	DSS Child Care	Hatchery Restoration
ASSETS:							
Cash and Equivalents	\$ 18,400	\$ 522	\$ 3,433	\$ 197	\$ 33,771	\$ 85	\$ -
Accounts Receivable	-	22,151	-	-	7,557	-	32,816
Due from Other Governmental Units	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 18,400</u>	<u>\$ 22,673</u>	<u>\$ 3,433</u>	<u>\$ 197</u>	<u>\$ 41,328</u>	<u>\$ 85</u>	<u>\$ 32,816</u>
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543
Accounts Payable	-	3,045	-	-	-	-	152
Accrued Liabilities	-	-	-	-	2,044	-	-
Due to Governmental Units	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>3,045</u>	<u>-</u>	<u>-</u>	<u>2,044</u>	<u>-</u>	<u>695</u>
FUND EQUITY							
Fund Balances:							
Designated for Special Purposes	<u>18,400</u>	<u>19,628</u>	<u>3,433</u>	<u>197</u>	<u>39,284</u>	<u>85</u>	<u>32,121</u>
TOTAL FUND EQUITY	<u>18,400</u>	<u>19,628</u>	<u>3,433</u>	<u>197</u>	<u>39,284</u>	<u>85</u>	<u>32,121</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 18,400</u>	<u>\$ 22,673</u>	<u>\$ 3,433</u>	<u>\$ 197</u>	<u>\$ 41,328</u>	<u>\$ 85</u>	<u>\$ 32,816</u>

# County of Crawford, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds	Totals (Memorandum Only)
	Homestead P.R.E. Audit	Court House Preservation	Building Authority	Library Debt	Construction	
ASSETS:						
Cash and Equivalents	\$ 25,677	\$ 34,469	\$ -	\$ 31,645	\$ 108,934	702,436
Accounts Receivable	-	-	-	-	-	145,917
Due from Other Governmental Units	-	-	-	-	-	55,063
Prepaid Expenses	-	-	-	-	-	3,256
<b>TOTAL ASSETS</b>	<b>\$ 25,677</b>	<b>\$ 34,469</b>	<b>\$ -</b>	<b>\$ 31,645</b>	<b>\$ 108,934</b>	<b>\$ 906,672</b>
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,217
Accounts Payable	-	-	-	-	-	21,427
Accrued Liabilities	-	-	-	-	-	23,930
Due to Governmental Units	25,080	-	-	-	-	25,080
<b>TOTAL LIABILITIES</b>	<b>25,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,654</b>
FUND EQUITY						
Fund Balances:						
Designated for Special Purposes	597	34,469	-	31,645	108,934	800,018
<b>TOTAL FUND EQUITY</b>	<b>597</b>	<b>34,469</b>	<b>-</b>	<b>31,645</b>	<b>108,934</b>	<b>800,018</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 25,677</b>	<b>\$ 34,469</b>	<b>\$ -</b>	<b>\$ 31,645</b>	<b>\$ 108,934</b>	<b>\$ 906,672</b>

# County of Crawford, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2004

Special Revenue Funds						
	Revenue Sharing	Friend of the Court	Family Counseling	Enforcement/ Recycle	Liquor Law	COPS Grant
REVENUES:						
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	129,815
Licenses and Permits	-	-	725	-	-	-
State Grants	279,464	17,220	-	-	1,321	-
Local Contributions	-	-	-	-	-	48,006
Charges for Services	-	2,561	-	-	-	-
Interest & Rentals	-	-	-	603	-	-
Other Revenues	-	-	-	148,409	-	-
TOTAL REVENUES	279,464	19,781	725	149,012	1,321	177,821
EXPENDITURES:						
General Government	-	-	-	172,711	-	-
Judicial	-	29,026	-	-	-	-
Public Safety	-	-	-	-	-	184,130
Health And Welfare	-	-	846	-	-	-
Recreation and Culture	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-
TOTAL EXPENDITURES	-	29,026	846	172,711	-	184,130
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	279,464	(9,245)	(121)	(23,699)	1,321	(6,309)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	8,056	-	-	-	11,500
Operating Transfers Out	(268,475)	-	-	-	(1,846)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	10,989	(1,189)	(121)	(23,699)	(525)	5,191
FUND BALANCES (DEFICIT), OCTOBER 1	18,290	1,189	14,980	185,908	1,846	175,203
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 29,279	\$ -	\$ 14,859	\$ 162,209	\$ 1,321	\$ 180,394

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2004**

	Special Revenue Funds						911
	Dare Education	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library	
REVENUES:							
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-
State Grants	-	55,239	-	-	-	-	62,889
Local Contributions	-	-	-	-	-	-	3,836
Charges for Services	-	-	-	-	-	-	406,812
Interest & Rentals	-	-	-	-	-	-	-
Other Revenues	9,365	-	-	-	-	2,550	10
<b>TOTAL REVENUES</b>	<b>9,365</b>	<b>55,239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,550</b>	<b>473,547</b>
EXPENDITURES:							
General Government	-	63,134	5,873	14,560	-	-	-
Judicial	-	-	-	-	-	4,165	-
Public Safety	11,463	-	-	-	-	-	473,854
Health And Welfare	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Capital Outlay	-	-	72,448	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>11,463</b>	<b>63,134</b>	<b>78,321</b>	<b>14,560</b>	<b>-</b>	<b>4,165</b>	<b>473,854</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,098)	(7,895)	(78,321)	(14,560)	-	(1,615)	(307)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	3,000	59,286	14,600	-	1,000	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,098)	(4,895)	(19,035)	40	-	(615)	(307)
FUND BALANCES (DEFICIT), OCTOBER 1	11,635	12,914	19,035	240	3,290	1,499	55,575
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 9,537	\$ 8,019	\$ -	\$ 280	\$ 3,290	\$ 884	\$ 55,268

# County of Crawford, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2004

	Special Revenue Funds						
	Family Independence Agency	Probate Child Care	Soldiers' Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	DSS Child Care	Hatchery Restoration
REVENUES:							
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-
State Grants	-	95,375	-	-	-	-	28,278
Local Contributions	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-
Interest & Rentals	38	-	-	-	-	-	-
Other Revenues	-	63,311	-	1,480	64,213	-	6,100
TOTAL REVENUES	38	158,686	-	1,480	64,213	-	34,378
EXPENDITURES:							
General Government	-	-	-	-	-	-	-
Judicial	-	290,464	-	1,659	-	-	-
Public Safety	-	-	-	-	-	-	-
Health And Welfare	2,890	-	3,380	-	64,202	-	-
Recreation and Culture	-	-	-	-	-	-	4,551
Debt Service	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,890	290,464	3,380	1,659	64,202	-	4,551
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,852)	(131,778)	(3,380)	(179)	11	-	29,827
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	2,000	150,000	5,000	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(852)	18,222	1,620	(179)	11	-	29,827
FUND BALANCES (DEFICIT), OCTOBER 1	19,252	1,406	1,813	376	39,273	85	2,294
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 18,400	\$ 19,628	\$ 3,433	\$ 197	\$ 39,284	\$ 85	\$ 32,121

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2004**

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds	Totals (Memorandum Only)
	Homestead P.R.E. Audit	Court House Preservation	Building Authority	Library Debt	Construction	
REVENUES:						
Taxes and Penalties	\$ 2,097	\$ -	\$ -	\$ 159,014	\$ -	\$ 161,111
Federal Grants	-	-	-	-	-	129,815
Licenses and Permits	-	-	-	-	-	177,687
State Grants	-	-	-	-	-	539,786
Local Contributions	-	-	-	-	5,000	56,842
Charges for Services	-	-	-	-	-	410,729
Interest & Rentals	-	-	-	-	1,621	2,262
Other Revenues	-	35,327	-	-	-	330,765
<b>TOTAL REVENUES</b>	<b>2,097</b>	<b>35,327</b>	<b>-</b>	<b>159,014</b>	<b>6,621</b>	<b>1,808,997</b>
EXPENDITURES:						
General Government	1,500	-	-	-	-	257,778
Judicial	-	-	-	-	-	325,314
Public Safety	-	-	-	-	-	857,314
Health And Welfare	-	-	-	-	-	71,318
Recreation and Culture	-	-	-	-	-	4,551
Debt Service	-	-	64,050	158,000	-	222,050
Capital Outlay	-	-	-	-	10,882	83,330
Other Expenditures	-	858	-	-	-	858
<b>TOTAL EXPENDITURES</b>	<b>1,500</b>	<b>858</b>	<b>64,050</b>	<b>158,000</b>	<b>10,882</b>	<b>1,822,513</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	597	34,469	(64,050)	1,014	(4,261)	(13,516)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	-	64,050	-	-	318,492
Operating Transfers Out	-	-	-	-	(83,660)	(353,981)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	597	34,469	-	1,014	(87,921)	(49,005)
FUND BALANCES (DEFICIT), OCTOBER 1	-	-	-	30,631	196,855	849,023
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 597	\$ 34,469	\$ -	\$ 31,645	\$ 108,934	\$ 800,018

# County of Crawford, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds September 30, 2004

	100% Tax Prior Taxes	100% Tax 1998 Taxes	100% Tax 2000 Taxes	100% Tax 2001 Taxes	Sheriff Commissary	DTRF Admin	Totals (Memorandum Only)
ASSETS:							
Cash and Equivalents	\$ 201,013	\$ 5,333	\$ 56,548	\$ 14,628	\$ 5,640	\$ -	\$ 283,162
Interest Receivable	180	168	262	-	-	-	610
Taxes Receivable	-	471	957	2,227	-	-	3,655
Due from Governmental Units	-	-	238	161	-	-	399
Other Assets	-	-	-	37	-	-	37
TOTAL ASSETS	<u>\$ 201,193</u>	<u>\$ 5,972</u>	<u>\$ 58,005</u>	<u>\$ 17,053</u>	<u>\$ 5,640</u>	<u>\$ -</u>	<u>\$ 287,863</u>
LIABILITIES:							
Due to Other Funds	\$ 79,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,507
Accounts Payable	479	-	500	27	176	-	1,182
Due to Governmental Units	804	304	2,984	400	-	-	4,492
TOTAL LIABILITIES	<u>80,790</u>	<u>304</u>	<u>3,484</u>	<u>427</u>	<u>176</u>	<u>-</u>	<u>85,181</u>
FUND EQUITY:							
Retained Earnings:							
Unreserved	<u>120,403</u>	<u>5,668</u>	<u>54,521</u>	<u>16,626</u>	<u>5,464</u>	<u>-</u>	<u>202,682</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 201,193</u>	<u>\$ 5,972</u>	<u>\$ 58,005</u>	<u>\$ 17,053</u>	<u>\$ 5,640</u>	<u>\$ -</u>	<u>\$ 287,863</u>

# County of Crawford, Michigan

## Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended September 30, 2004

	100% Tax Prior Taxes	100% Tax 1998 Taxes	100% Tax 2000 Taxes	100% Tax 2001 Taxes	Sheriff Commissary	DTRF Admin	Totals (Memorandum Only)
OPERATING REVENUES:							
Charges for Services	\$ 7	\$ 73	\$ 593	\$ 5,976	\$ 17,633	\$ -	\$ 24,282
Interest & Rentals	133	412	1,708	4,386	-	-	6,639
<b>TOTAL REVENUES</b>	<b>140</b>	<b>485</b>	<b>2,301</b>	<b>10,362</b>	<b>17,633</b>	<b>-</b>	<b>30,921</b>
EXPENSES:							
General & Administrative	-	-	-	-	21,467	-	21,467
Other Expenses	-	-	-	444	-	2,250	2,694
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>444</b>	<b>21,467</b>	<b>2,250</b>	<b>24,161</b>
<b>OPERATING INCOME (LOSS)</b>	<b>140</b>	<b>485</b>	<b>2,301</b>	<b>9,918</b>	<b>(3,834)</b>	<b>(2,250)</b>	<b>6,760</b>
NON-OPERATING REVENUES (EXPENSES):							
Interest on Deposits	3,097	-	-	-	-	-	3,097
Operating Transfers In	-	-	-	-	-	8,825	8,825
Operating Transfers Out	-	(8,825)	-	(140,000)	-	(6,762)	(155,587)
<b>NET INCOME (LOSS)</b>	<b>3,237</b>	<b>(8,340)</b>	<b>2,301</b>	<b>(130,082)</b>	<b>(3,834)</b>	<b>(187)</b>	<b>(136,905)</b>
<b>RETAINED EARNINGS, OCTOBER 1</b>	<b>117,166</b>	<b>14,008</b>	<b>52,220</b>	<b>146,708</b>	<b>9,298</b>	<b>187</b>	<b>339,587</b>
<b>RETAINED EARNINGS, SEPTEMBER 30</b>	<b>\$ 120,403</b>	<b>\$ 5,668</b>	<b>\$ 54,521</b>	<b>\$ 16,626</b>	<b>\$ 5,464</b>	<b>\$ -</b>	<b>\$ 202,682</b>



# County of Crawford, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended September 30, 2004

	100% Tax Prior Taxes	100% Tax 1998 Taxes	100% Tax 2000 Taxes	100% Tax 2001 Taxes	Sheriff Commissary	DTRF Admin	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from Customers	\$ 1,088	\$ 3,597	\$ 11,777	\$ 148,834	\$ 17,633	\$ -	\$ 182,929
Payments to Suppliers	-	-	(240)	(1,196)	(22,045)	(2,250)	(25,731)
Internal Activity - Payments/Receipts with Other Funds	79,507	-	-	-	-	-	79,507
Net Cash Provided (Used) by Operating Activities	80,595	3,597	11,537	147,638	(4,412)	(2,250)	236,705
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Operating Transfers In	-	-	-	-	-	8,825	8,825
Operating Transfers Out	-	(8,825)	-	(140,000)	-	(6,762)	(155,587)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(8,825)	-	(140,000)	-	2,063	(146,762)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>							
Interest Expense	-	-	-	-	-	-	-
Principal Payments	-	-	-	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	-	-	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest Income	3,097	-	-	-	-	-	3,097
Net Cash Provided (Used) by Investing Activities	3,097	-	-	-	-	-	3,097
Net Increase (Decrease) in Cash and Cash Equivalents	83,692	(5,228)	11,537	7,638	(4,412)	(187)	93,040
Balances - Beginning of the Year	117,321	10,561	45,011	6,990	10,052	187	190,122
Balances - End of the Year	<u>\$ 201,013</u>	<u>\$ 5,333</u>	<u>\$ 56,548</u>	<u>\$ 14,628</u>	<u>\$ 5,640</u>	<u>\$ -</u>	<u>\$ 283,162</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>							
Operating Income (Loss)	\$ 140	\$ 485	\$ 2,301	\$ 9,918	\$ (3,834)	\$ (2,250)	\$ 6,760
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Change in Assets and Liabilities:							
(Increase)Decrease in Assets:							
Taxes Receivable	-	1,833	6,863	103,509	-	-	112,205
Accounts Receivable	63	-	-	-	-	-	63
Interest Receivable	-	823	1,134	28,784	-	-	30,741
Other Assets	-	-	21	1,199	-	-	1,220
Due from Other Governmental Units	448	151	54	4,580	-	-	5,233
Increase(Decrease) in Liabilities:							
Accounts Payable	175	-	(240)	(752)	(578)	-	(1,395)
Due to Other Governmental Units	262	305	1,404	400	-	-	2,371
Due to Other Funds	79,507	-	-	-	-	-	79,507
Net Cash Provided by Operating Activities	<u>\$ 80,595</u>	<u>\$ 3,597</u>	<u>\$ 11,537</u>	<u>\$ 147,638</u>	<u>\$ (4,412)</u>	<u>\$ (2,250)</u>	<u>\$ 236,705</u>

**Statement of Net Assets  
Internal Service Fund  
September 30, 2004**

	Health Insurance
ASSETS:	
Cash and Equivalents	\$ 201
Account Receivable	2,809
TOTAL ASSETS	\$ 3,010
FUND EQUITY:	
Retained Earnings:	
Unreserved	3,010
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,010

Statement of Revenues, Expenses and  
Changes in Net Assets - Internal Service Fund  
For the Year Ended September 30, 2004

	Health Insurance
REVENUES:	
Charges for Services	-
EXPENSES:	
General & Administrative	-
OPERATING INCOME (LOSS)	-
RETAINED EARNINGS, OCTOBER 1	3,010
RETAINED EARNINGS, SEPTEMBER 30	\$ 3,010

## County of Crawford, Michigan

### Other Supplemental Information Combining Agency Funds For the Year Ended September 30, 2004

	Agency Funds					Totals (Memorandum Only)
	Trust and Agency	Transportation Authority	Penal Fines	Sheriff Inmate Trust	Housing Trust	
ASSETS:						
Cash and Equivalents	\$ 427,474	\$ 360,591	\$ 50,816	\$ 813	\$ 50	\$ 839,744
Due from Other Funds	599,934	-	-	-	-	599,934
<b>TOTAL ASSETS</b>	<b>\$ 1,027,408</b>	<b>\$ 360,591</b>	<b>\$ 50,816</b>	<b>\$ 813</b>	<b>\$ 50</b>	<b>\$ 1,439,678</b>
LIABILITIES:						
Accrued Liabilities	\$ -	\$ -	\$ 50,816	\$ -	\$ -	\$ 50,816
Due to Governmental Units	1,027,408	360,591	-	813	50	1,388,862
<b>TOTAL LIABILITIES</b>	<b>\$ 1,027,408</b>	<b>\$ 360,591</b>	<b>\$ 50,816</b>	<b>\$ 813</b>	<b>\$ 50</b>	<b>\$ 1,439,678</b>

## **Reports on Compliance**

---



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

---

DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
County of Crawford, Michigan  
Grayling, MI 49738

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Crawford, Michigan, as of and for the year ended September 30, 2004, which collectively comprise Crawford County's basic financial statements and have issued our report thereon, dated November 24, 2004. We did not audit the financial statements of the Crawford County Road Commission which represents 99 percent and 99 percent of the assets and revenues of the Discretely Presented Component Units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County of Crawford, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County of Crawford, Michigan in a separate letter dated November 24, 2004.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Crawford, Michigan's financial statements are free of material misstatement, we performed a tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which we described in the accompanying schedule of findings and responses as item 2004-1. We did note certain immaterial instances of noncompliance, which we have reported to management of the County of Crawford, Michigan in a separate letter dated November 24, 2004.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 24, 2004



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

---

DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Honorable Chairman and  
Members of the Board of Commissioners  
County of Crawford, Michigan  
Grayling, Michigan 49738

**Compliance**

We have audited the compliance of the County of Crawford, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. County of Crawford, Michigan's major federal programs are identified in the summary auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Crawford, Michigan's management. Our responsibility is to express an opinion on County of Crawford, Michigan's compliance based on our audit.

The County of Crawford, Michigan's basic financial statements include the operations of the Crawford County Road Commission, which received federal awards of \$61,505, which are not included in schedule during the year ended September 30, 2004. Our audit, described below, did not include the operations of Crawford County Road Commission because those expenditures were audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Crawford, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of County of Crawford, Michigan's compliance with those requirements.



County of Crawford, Michigan.

In our opinion, the County of Crawford, Michigan complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

### **Internal Control Over Compliance**

The management of the County of Crawford, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be reportable conditions.

This report is intended solely for the information and use of the Chairman, County Commissioner, Management, of the County of Crawford, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 24, 2004

**Schedule of Expenditures of Federal Awards  
For the year ended September 30, 2004**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
ADMINISTRATION ON AGING:			
Pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.:			
Title IIIB Homemaking/Personal Care	93.044	-	20,500
Title IIIIC Congregate Nutrition	93.045	-	14,191
Title IIIIC Home Delivered Nutrition	93.045	-	16,992
Title IIIIE Human Resource	93.052	-	8,445
Waiver-Medicaid	93.778	-	13,478
Total pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.			73,606
ADMINISTRATION FOR CHILDREN AND FAMILIES:			
Pass-through from the State of Michigan Family Independence Agency:			
Friend of the Court - Child Support 10-1-03 to 9-30-04	93.563	CS/FOC-04-69001	123,412
Prosecuting Attorney - Child Support 10-1-03 to 9-30-04	93.563	CS/PA-04-20002	40,800
Friend of the Court - Incentive	93.560	-	18,421
Total Pass-through from the State of Michigan Family Independence Agency			182,633
Total U.S. Department of Health & Human Services			256,239
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Awards:			
Housing Preservation Program	10.433	-	24,766
Pass-through from the State of Michigan and North East Michigan Community Services Agency, Inc.:			
Child and Adult Care Food Program	10.570	-	32,643
Total U.S. Department of Agriculture			57,409
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from MSHDA:			
CDBG Housing Grant Program - 07/1/01 - 12/31/04	14.228	MSC-2000-0214-HOA	67,255
CDBG Housing Grant Program - 01/1/02 - 12/31/03	14.228	MSC-2001-0214-HOA	75,808
CDBG Housing Grant Program - 01/1/04 - 12/31/05	14.228	MSC-2003-0214-HOA	8,806
Total U.S. Dept. Housing & Urban Development			151,869

The accompanying notes are an integral part of this schedule.

# County of Crawford, Michigan

## Schedule of Expenditures of Federal Awards For the year ended September 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF JUSTICE:			
Direct Awards:			
C.O.P.S. in School Award	16.710	2001 SHWX0277	<u>129,815</u>
Total Direct Awards:			<u>129,815</u>
Pass-through from the Michigan Department of Management and Budget:			
Pass-through from the County of Ogemaw, Michigan: S.T.I.N.G.	16.579	70844-3K01	<u>32,989</u>
Total U.S. Department of Justice			<u>162,804</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from the Michigan Department of State Police, Emergency Management Division:			
2002 State Domestic Preparedness Equipment Support Program	97.004	-	534
2003 State Domestic Preparedness Equipment Support Program-Part I	97.004	-	33,527
2003 State Domestic Preparedness Equipment Support Program-Exercise Grant	97.004	-	1,759
2003 State Domestic Preparedness Equipment Support Program- Part II Solution Area Planner	97.004	-	1,080
2003 State Domestic Preparedness Equipment Support Program- Part II Training Grant	97.004	-	1,174
2004 Emergency Management Performance Grant (EMPG)	97.042	-	9,356
2003 Supplemental Funds Grant Agreement	97.051	-	<u>3,775</u>
Total U.S. Department of Homeland Security			<u>51,205</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u>\$ 679,526</u>

The accompanying notes are an integral part of this schedule.

# County of Crawford, Michigan

## Notes to Schedule of Expenditures of Federal Awards September 30, 2004

### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Crawford, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct federal funding to the County during 2004.

### NOTE C - TITLE IV-D COOPERATIVE REIMBURSEMENT - FRIEND OF THE COURT:

Crawford County is part of a 3-County Friend of the Court system, comprised of Crawford, Kalkaska and Otsego counties. The costs of the Friend of the Court system are shared between the counties based on their respective criminal and civil caseloads from the previous calendar year. Crawford County's 2003 caseload amounted to 27% of the total caseload of all three counties combined. The federal expenditures amount appearing on the accompanying schedule reflects the federal portion of the County's pro-rata share of the expenditures incurred for the federal program.

### NOTE D - FOOD DISTRIBUTION:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At September 30, 2004, the County had a food commodity inventory totaling \$2,010.

### NOTE E - RECONCILIATION TO COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE:

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Combined Financial Statements	
Revenues – Governmental Funds	\$ 757,575
State Grants classified to federal revenues	<u>(78,049)</u>
Total Federal Revenue Recognized per Schedule	
of Expenditures of Federal Awards	<u>\$ 679,526</u>

**A. SUMMARY OF AUDITORS' RESULTS****Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

**Identification of Major Programs****CFDA NUMBERS****Name of Federal Program or Cluster**

14.228	Community Development Block Grant
16.710	Public Safety Partnership and Community Policing Grants
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

*Finding 04-1*

*Condition/Criteria:* Public Act 621 of 1978, Section 18, (1) as amended, provided that a government shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the Economic Development Fund has been shown on a functional basis. The approved budget of the County for this fund was adopted on an activity and/or program level. During the year ended September 30, 2004 the County incurred functional expenditures which were in excess of the amounts appropriated as shown within Note 15 in the basic financial statements.

*Effect:* The County is not in compliance with State law.

*Cause:* Failure to amend the budgets during the year based on the level of expenditures.

*Recommendation:* The County should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

*Management's Response—Corrective Action Plan:* The budget will be more closely monitored and budget amendments will be made accordingly.

**C. FINDINGS - FEDERAL AWARDS AND QUESTIONED COSTS**

**NONE.**

**NONE.**

## **Additional Information**

---



COUNTY OF CRAWFORD, MICHIGAN

ADDITIONAL INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION .....</b>	<b>73</b>
Note 1 - Debt Issues Applicable to SEC Rule 15c2-12	
Disclosure Requirements .....	74
Note 2 - Tables:	
A. Major Taxpayer .....	74
B. Labor Contracts .....	74
C. Retirement Plans .....	74
D. County Tax Rates and Levies .....	75
E. Tax Collection Record .....	75
F. State Equalized Valuation .....	76
G. Taxable Valuation .....	76
H. General Fund Revenues and Expenditures .....	77
I. Direct Debt of County .....	77
J. Crawford County Bonds and Notes with County Credit Pledged .....	78



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

---

DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

Board of Commissioners  
County of Crawford, Michigan  
Grayling, MI 49738

Our report on our audit of the basic financial statements of the County of Crawford, Michigan, as of and for the year ended September 30, 2004, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 24, 2004

**NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:**

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2004, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$1,500,000 County of Crawford General Obligation Unlimited Tax Bonds, Series 2000.

**NOTE 2 - TABLES:****A. MAJOR TAXPAYERS:**

<u>10 Largest Taxpayers</u>	<u>2004 Taxable Valuation</u>
Weyerhaeuser	\$ 22,364,600
Grayling Generating	21,062,302
Forrest Dunes	9,265,881
Quicksilver Resources	8,798,282
State of Michigan	5,948,427
Consumers Energy	5,752,628
Georgia Pacific	4,116,200
Grayling Mall	2,120,985
Great Lakes Gas Transmission	2,086,305
Michigan Consolidated Gas	<u>2,067,593</u>
TOTAL (represents 17% Total 2003 TV)	<u>\$ 83,583,203</u>

**B. LABOR CONTRACTS:**

	<u>Number</u>	<u>Expiration Number</u>
AFSCME	10	06-30-04
Police Officers Assoc. of Mich.	29	09-30-05

**C. RETIREMENT PLANS:** (Operated by Michigan Municipal Employees Retirement Systems)

The County's contribution to the retirement system for the fiscal year end September 30, 2003 was \$272,425 and was \$286,022 for the fiscal year ended September 30, 2004.

**NOTE 2 - TABLES: (Continued)**

**D. COUNTY TAX RATES & LEVIES:**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
County Operating	6.1491	6.1825	6.2557	6.2840	6.3143
Commission on Aging	.4729	.4755	.4812	.4834	.4857
Rec. Authority	.4891	.4918	.4977	.5000	0.5000
Public Transit	.7093	.7132	.7217	.7250	0.7278
Library - Debt	.3200	.3500	.3800	.4500	-
Library – Operating	<u>.4500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COUNTY</b>	<u><u>8.59040</u></u>	<u><u>8.2130</u></u>	<u><u>8.3363</u></u>	<u><u>8.4424</u></u>	<u><u>8.0278</u></u>
COOR I/S/D	.9013	.9118	.9253	.9367	.9450
Kirtland Comm. Coll.	<u>2.3060</u>	<u>2.3307</u>	<u>2.3629</u>	<u>2.3899</u>	<u>2.4098</u>
<b>TOTAL ALL JURISDICTIONS</b>	<u><u>11.7977</u></u>	<u><u>11.4555</u></u>	<u><u>11.6245</u></u>	<u><u>11.7690</u></u>	<u><u>11.3826</u></u>

**E. TAX COLLECTION RECORD: (Including all taxing units in the County)**

Crawford County pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins January 1. County taxes are due December 1 and become delinquent the following March 1. Taxes for other municipalities are due on July 1 and/or December 1 and become delinquent on or before the following March 1.

Year	Tax Levy*		Collections to 3 – 1		Coll. Plus Funding to 3 - 1 - 02	
			Of Year Following the Levy			
			Amount**	%		
2004	\$	18,408,377	\$	16,871,497	92.00%	-%
2003		16,467,657		15,153,591	92.00	100
2002		16,530,179		15,168,442	92.00	100
2001		15,783,330		14,495,956	92.00	100
2000		14,547,483		13,093,025	90.00	100
1999		14,087,484		12,872,199	91.40	100
1998		13,523,412		12,143,685	90.00	100
1997		13,094,137		11,863,643	91.00	100
1996		12,343,881		11,205,442	91.00	100
1995		12,076,343		10,883,794	90.00	100
1994		10,502,370		9,298,631	88.50	100

\* Includes real and personal property taxes.

\*\* Reflects only real property delinquency and assumes 100% collection of personal property taxes.

NOTE 2 - TABLES: (Continued)

F. STATE EQUALIZED VALUATION:

STATE EQUALIZED VALUATION (50% OF True Value)		
2004	-	\$ 674,931,955
2003	-	628,928,900
2002	-	563,742,250
2001	-	507,543,300
2000	-	457,814,322
1999	-	430,931,290
1998	-	404,850,990
1997	-	374,193,643
1996	-	351,394,514
1995	-	328,747,231
1994	-	293,261,844

G. TAXABLE VALUATION:

2004	-	\$ 488,643,902
2003	-	457,586,519
2002	-	433,517,709
2001	-	410,049,530
2000	-	386,099,782
1999	-	379,007,961
1998	-	363,100,115

Per Capita TV (2004) \$32,729

2004 Taxable Breakdown by Use

Residential	66 %
Commercial	8
Industrial	10
Personal Property	15
Agricultural	<u>1</u>

TOTAL 100%

2004 Taxable Breakdown by Class

Real	85 %
Personal	<u>15</u>

TOTAL 100%

# County of Crawford, Michigan

Additional Information - Unaudited  
September 30, 2004

## NOTE 2 - TABLES: (Continued)

### H. GENERAL FUND REVENUES AND EXPENDITURES:

	September 30			
	2004	2003	2002	2001
Revenues & Transfers In	\$5,183,855	\$5,213,181	\$5,055,979	\$4,675,067
Expenditures & Transfers Out	<u>5,183,830</u>	<u>5,209,173</u>	<u>5,043,206</u>	<u>4,831,891</u>
Revenues Over (Under)				
Expenditures	25	4,008	12,773	(156,824)
Beginning Balance	146,126	142,118	129,345	286,169
Ending Balance	146,151	146,126	142,118	129,345

### I. DIRECT DEBT OF COUNTY:

DIRECT DEBT OF COUNTY:	Gross	Self-Supporting Or Portion Paid Directly by Benefited Municipalities	Net
Building Authority	\$ 270,000	\$ -	\$ 270,000
MTF Bonds	390,000	390,000	-
GOUT Bonds	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>
	<u>\$ 1,760,000</u>	<u>\$ 390,000</u>	<u>\$ 1,370,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Direct Debt	\$ 91.76
Percent County Net Direct Debt to 2004 TV	.28%

### OVERLAPPING DEBT OF COUNTY:

Cities	\$ 850,000
School Districts	21,122,182
Community Colleges	<u>687,258</u>
Net Overlapping Debt	<u>\$ 22,659,440</u>
Net County and Overlapping Debt	<u>\$ 24,029,440</u>

**NOTE 2 - TABLES: (Continued)**

**I. DIRECT DEBT OF COUNTY: (Continued)**

Per capita County Net Direct and Overlapping Debt	\$ 1,651.67
Percent Net Direct and Overlapping Debt	4.92 %

Source: Crawford County and Municipal Advisory Council of Michigan.

**J. CRAWFORD COUNTY BONDS AND NOTES WITH COUNTY CREDIT PLEDGED:**

(as of March 31, 2001)  
(Including this Issue)

<u>Year</u>	<u>MTF Bonds</u>	<u>BA Bonds</u>	<u>GOUT Bonds</u>	<u>Total</u>
2005	\$ 60,000	\$ 45,000	\$ 100,000	\$ 205,000
2006	60,000	50,000	100,000	210,000
2007	65,000	55,000	100,000	220,000
2008	65,000	60,000	100,000	225,000
2009	70,000	60,000	100,000	230,000
2010	70,000	-	100,000	170,000
2011	-	-	100,000	100,000
2012	-	-	100,000	100,000
2013	-	-	100,000	100,000
2014	-	-	100,000	100,000
2015	-	-	100,000	100,000
<b>TOTAL</b>	<u>\$ 390,000</u>	<u>\$ 270,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,760,000</u>



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

---

DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Honorable Chairman and Members  
of the Board of Commissioners  
County of Crawford  
Grayling, MI 49738

We have audited the financial statements of the County of Crawford for the period ended September 30, 2004, and have issued our reports thereon dated November 24, 2004. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Crawford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



As part of obtaining reasonable assurance about whether County of Crawford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Crawford's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Crawford's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Crawford's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Crawford are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Crawford during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The County did implement GASB #34 for the period beginning October 1, 2003.

### **Accounting Estimates**

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Crawford's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Crawford, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Crawford's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Crawford's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Crawford's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Comments and Recommendations**

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

#### **Family Independence Agency (Prior Year)**

As of August of 2002, Otsego and Crawford Family Independence Agencies joined together with the financial reporting now completed at Otsego County FIA. The general ledger of Crawford County still has postings for the year. Management should determine where the financial reporting will be maintained.

#### **Lack of Board Approval for Certain Activities (Prior Year)**

The opening and closing of bank accounts and funds requires board approval. We were informed that the Treasurer's office has changed and discontinued use of bank accounts without board approval. It was also noted that the Treasurer's office has created and closed several funds during the year without board approval.

### **Building & Zoning Bonds (Prior Year)**

The building and zoning bonds payable on the general ledger are not periodically reconciled to the subsidiary listing of individual bonds. In an effort to provide accurate record keeping these two records need to be reconciled monthly.

### **Circuit Court Bonds (Prior Year)**

The circuit court bonds payable on the general ledger are not periodically reconciled to the subsidiary listing of individual bonds. In an effort to provide accurate record keeping these two records need to be reconciled monthly.

### **County Road Debt Service Fund (Prior Year)**

The County Road Debt Service Fund currently maintained by the County is a duplication of activity recorded by the Crawford County Road Commission. The activity need not be recorded in a fund of the County because the activity is recorded in the financial statements of the Road Commission.

### **Delinquent Tax Revolving Funds (Prior Year)**

Currently, the County has tax funds for the years 1995-2002 open. We recommend that the County reduce the number of Delinquent Tax Revolving Funds to the most recent four years and maintain the rest in a Prior Years Delinquent Tax Fund.

### **Cash Accounts**

Several negative balances were noted during our review of the County's common cash accounts. We recommend that the County monitor its cash activity in each of its funds on a continuous basis and allocate funds between accounts, if necessary, in order to maintain positive cash flows.

It was noted that several accounts were opened and closed during fiscal year 2004. However, this information was not reflected in the County's board minutes. We recommend that all changes in banking activity, with respect to closed and opened accounts, be approved by the Board and noted in the minutes.

**Conclusion**

This report is intended for the information of the Chairman, County Commission, management of Crawford County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 24, 2004